MURPHY
OIL CORPORATION

1968 Annual Report

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Murphy Oil Corporation/200 Jefferson Avenue/El Dorado, Arkansas 71730

1968 ANNUAL REPORT

His Imperial Majesty Shahanshah Aryamehr inspects Lavan Petroleum Company facilities on Lavan Island as part of the formal inauguration November 2, 1968 of producing facilities for Sassan Field. At the left is His Excellency Dr. Manouchehr Eghbal, chairman and managing director of National Iranian Oil Company, and at right is Said Naghavi, chairman of the Board of Lavan Petroleum Company.

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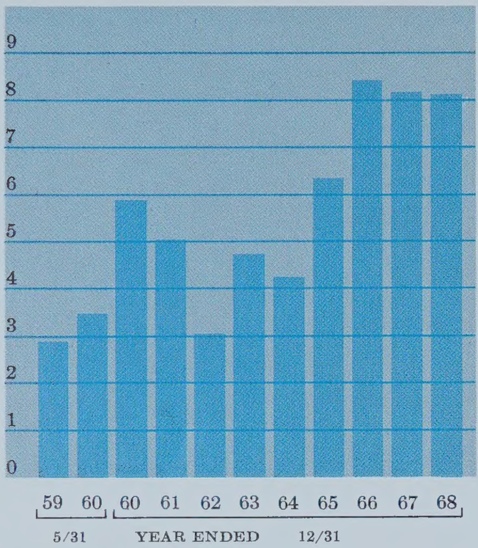
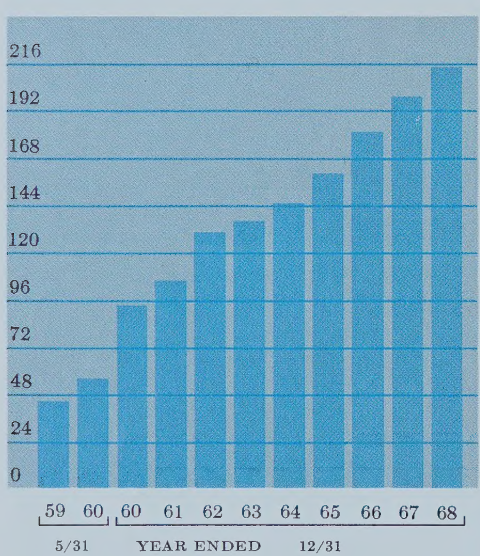
The Cover—Sunset highlights processing towers at Murphy's refinery at Meraux, Louisiana.

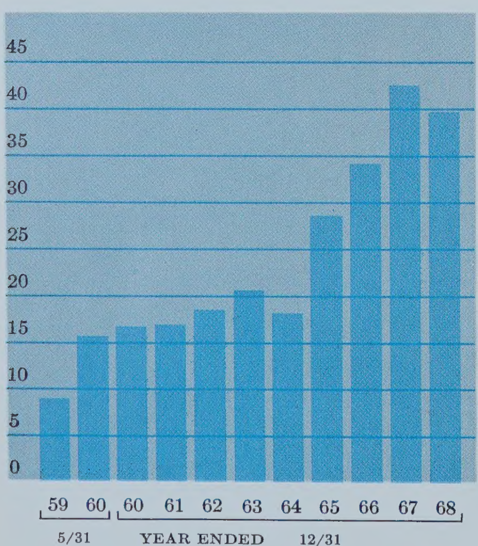


CONSOLIDATED NET INCOME
in millions of dollars

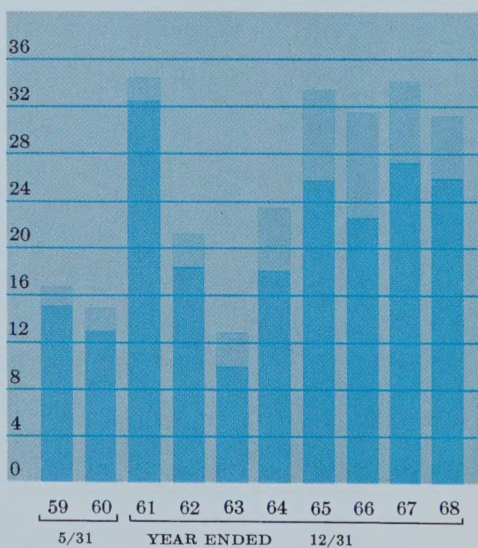


GROSS REVENUES in millions of dollars

	1968	1967
FINANCIAL		
Revenues	**$214,551,000**	199,187,000
Income before extraordinary items	**7,291,000**	8,674,000
Per share	**1.36**	1.90
Net income	**8,189,000**	8,218,000
Per share	**1.57**	1.78
Dividends paid:		
Preferred and Preference Stock	**1,432,000**	1,198,000
Common Stock	**2,466,000**	1,974,000
Common Stock dividends per share	**0.57½**	0.50
Capital and exploration expenditures	**31,420,000**	34,003,000
Depreciation, depletion and amortization	**15,012,000**	13,100,000
Working capital	**39,727,000**	42,409,000
Long-term debt	**64,979,000**	64,856,000
Total assets	**286,376,000**	269,745,000
Stockholders' equity	**136,960,000**	132,483,000
STOCKHOLDERS AND EMPLOYEES		
Stockholders—end of year	**5,208**	4,980
Shares outstanding—average	**4,331,720**	3,916,679
Employees—end of year	**3,662**	3,873
Salaries, wages and employee benefits	**$ 24,504,000**	23,881,000
OPERATING (Barrels a day except gas)		
Crude oil and gas liquids produced	**23,000**	20,200
Gas sold (thousand cubic feet a day)	**55,400**	51,700
Refinery runs	**51,800**	48,100
Petroleum products sold	**88,000**	78,100



WORKING CAPITAL in millions of dollars



CAPITAL EXPENDITURES in millions of dollars

Minority interest

Net income for 1968 was disappointing despite record cash flow and excellent performance in many of our operating areas.

All-time highs were attained in refined product sales, in crude oil processed at our refineries and in the production of crude oil and gas liquids. Ocean Drilling & Exploration Company (ODECO), the Company's 51-percent-owned subsidiary, increased its contract drilling revenues 13 percent over the previous year to a record high. Nevertheless, total effect of these factors was eclipsed by the influence of a number of restraints on earnings.

Important among these restraints was the continued high cost of ocean transportation of crude oil which is a lingering effect of closure of the Suez Canal. Another was a delay from midyear to year-end in bringing on-stream our major new crude oil supply from the Sassan Field in the Persian Gulf. This postponement not only resulted in operating expenses unmatched by crude oil revenues but also extended use of higher cost purchased crude for Canadian and European processing. As expected, interest on borrowed capital, provision for Federal, foreign and local income taxes and employment costs rose sharply.

In Libya, commercial importance of the Block 105 Field was confirmed by completion of four producing wells subsequent to the discovery. Production was also established on Block 104B some 190 miles to the west. Plans for connecting these fields to pipelines owned by others were well advanced at year-end and should enable both to start production during 1969. The Libyan project is a joint venture with Spanish and French government companies with Murphy holding a 16-percent interest. It is operated by Société Nationale des Pétroles d'Aquitaine, with which Murphy also is carrying out exploration activities in other parts of the world.

Offshore Texas, ODECO and Murphy together acquired a 25-percent interest in 104,000 acres, bidding competitively at a sale of Federal acreage on the Outer Continental Shelf. These tracts include at least 14 promising drilling prospects. Two of these had been partially tested at year-end, resulting in one probable discovery and a dry hole. Six more are scheduled for drilling during 1969 in accordance with a continuous testing program.

Operation of the Sassan Field was inaugurated late in 1968, and the first cargo of crude oil was lifted in November by a tanker under charter to Murphy. The field and its supporting system of pipelines, treating equipment, storage and port facilities were brought on-stream gradually. By year-end, it had reached a production rate of 120,000 barrels a day, 60 percent of design capacity.

Capital expenditures in 1968 were slightly under the high level of 1967. The rate of capital outlay is likely to accelerate toward the end of 1969 if construction of the Company's refinery in Scotland proceeds on schedule. This major project will account for a substantial part of the anticipated increase. It will be the start of a new phase of our program of international development. In addition, one new offshore drilling barge is under construction and another scheduled.

The Scottish refinery will require two years to build from commencement of actual construction. It will make possible processing more of our crude oil at plant sites selected with specific reference to sources of the raw material and location of our distribution system. The purpose is a significant reduction in combined manufacturing and transportation costs.

Financing for part of the cost of the refinery in Scotland and for other overseas capital expenditures must be accomplished abroad because of the United States government's foreign investment regulations restricting transfer of capital to foreign countries. Plans for so doing were near completion at year-end and, in January 1969, Murphy's wholly owned subsidiary Murphy Oil International Finance Corporation sold in Europe \$25,000,000 in 5-percent 20-year debenture bonds which are guaranteed on a subordinated basis by Murphy Oil Corporation and are convertible into its Common Stock.

Certain debt restrictions applicable to the Cumulative Preferred Stock, Series A, had to be removed before this financing could be accomplished. The required number of Series A stockholders cooperated by agreeing to a proposal that these be removed in return for increasing the Series A annual dividend rate from $5\frac{1}{2}$ percent to $6\frac{1}{4}$ percent, effective January 1, 1969, and providing the annual sinking fund requirement is increased by \$252,000, effective June 1, 1971.

Accordingly, the management of the Company recommends that stockholders at the annual meeting approve appropriate amendments to the Certificate of Incorporation to provide for the changes required to carry the proposal concerning the Series A stock into effect. Should stockholders fail to approve the proposal, the 39,830 shares of Series A still outstanding must be called for redemption at the premium price of \$106 a share.

During the coming year, production from the Sassan Field and from Libya should have a significant impact on operating results. Crude oil production in the Gulf of Mexico is expected to increase and sales of refined products should continue to rise. The Company's refineries are scheduled to operate at near record levels and a new ODECO drilling barge will go into service. Finally, if current trends continue, 1969 should see an easing in the high costs of ocean transportation.

The extent to which effect of these favorable factors is carried through to net income after taxes will depend on strength of countervailing influences and our success in overcoming them.

C H Murphy Jr

President

February 28, 1969

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1. **Amid the pine trees** of Mississippi, a derrick stands at the site of a wildcat well drilled by Murphy.

2. **A pumping unit** on a well in the Delhi Field in Louisiana. This field, one of Murphy's first major oil discoveries, has produced since 1944.

3. **Clothed against the winter weather,** a crew works on a rig drilling a Murphy-interest well in Montana.

PRODUCTION AND EXPLORATION

First production from the Sassan Field in the Persian Gulf, an oil discovery in Libya, sharply increased drilling and production in the Gulf of Mexico and preparations for drilling in other areas highlighted an active year in production and exploration.

Crude production in 1968 reached a new high of 23,000 barrels a day, 13 percent higher than in 1967, even though the Sassan Field was not on-stream until November and contributed relatively little crude oil to the year's total. Net production of natural gas increased 7 percent to 55,400,000 cubic feet a day.

Iran

Slightly more than three years after Murphy and its partners began drilling their first well in the Persian Gulf, the first crude oil from the Sassan Field was lifted and fed into the Company's Canadian refining and marketing system.

His Imperial Majesty Shahanshah Aryamehr on November 2, 1968 inaugurated installations of Lavan Petroleum Company (Lapco) on Lavan Island. Lapco is owned one-half by National Iranian Oil Company and the other half equally by subsidiaries of Murphy, Atlantic Richfield Company, Sun Oil Company and Union Oil Company of California.

In connection with the inauguration, Murphy began the loading of the tanker "World Intelligence" with the first lifting of Sassan crude. A month later, the tanker arrived at Portland, Maine to discharge its cargo for shipment by pipeline to Montreal, where it was processed for Murphy.

Sassan Field came on-stream gradually and, at year-end, was producing 120,000 barrels a day. The field is expected to reach a production rate of 200,000 barrels a day in 1969.

Lapco has concluded that there are no other exploratory prospects on Block 2 and has relinquished all of that block except for the area immediately surrounding the Sassan Field. Block 1 was relinquished in 1967.

There has been considerable exploration on Block 3. In 1967, Murphy and its associates made an oil discovery on the "W" structure, some 70 miles northwest of Sassan Field. A second well completed there early in 1968 confirmed the existence of significant productive capacity. Another well will be drilled in 1969 as a basis for a decision as to whether the field can be developed economically.

On the northern part of Block 3, two wells that were drilled in 1967 on the "H" structure provided inconclusive evidence of productive capacity. A third well drilled in 1968 condemned the area. Still farther north, the "J" structure was drilled dry.

Libya

In Libya, Murphy holds a 16-percent interest in a group that includes Société Nationale des Pétroles d'Aquitaine (SNPA), the operator, Régie Autonome des Pétroles and Hispánica de Petróleos, S.A. In 1968, this group made an oil discovery on one concession and was successful in the extension onto its acreage of an existing oil field in another concession.

On Concession 105, some 250 miles southeast of the Mediterranean oil-exporting port of Ras Lanuf, the group's first exploratory well resulted in an oil discovery. Five additional wells have been completed to develop the field. Four of them were productive. Preliminary estimates indicate a field capable of producing 30,000 barrels of oil a day.

A second exploratory well was started in late 1968. This test is about seven miles north of the discovery well.

On Concession 104B, some 130 miles south of Ras Lanuf and 190 miles west of the Block 105 discovery, the same group completed an oil producer. A confirmation well one-half mile to the east has established excellent productive rates, although the area of the structure may not be large. These wells are an extension of the Dor Field, which is immediately south of Block 104B. Another exploratory well three miles to the northeast and a test on a small seismic feature three miles north of the discovery were dry.

A seismic crew operated throughout 1968 on Concessions 104 and 105 and is scheduled to continue its work through the first three quarters of 1969. A full year of exploratory and development drilling is planned.

Drilling Record	1968 GROSS	1968 NET
Oil wells completed......	52	14.59
Gas wells completed.....	11	3.29
Dry holes drilled........	47	19.74
Total wells completed.	110	37.62
Wells drilling at year-end	6	1.57

Productive Acreage and Productive Wells	GROSS	NET
December 31, 1968:		
Productive Acreage........	1,097,201	77,525
Total Number of Productive Wells.........	5,747	597
December 31, 1967:		
Productive Acreage.......	1,058,911	74,686
Total Number of Productive Wells.........	5,737	619

United States

Offshore, Murphy participated directly in two wildcats in the Gulf of Mexico off Louisiana and in one offshore Texas. In Ship Shoal Block 239, off the Louisiana coast, Murphy owns a 7½-percent interest in a discovery which produced oil from two zones and gas from a third. Murphy's offshore affiliate, Ocean Drilling & Exploration Company, owns an additional 12½ percent of the indicated discovery. A platform is being fabricated for installation on Block 239, and development drilling is expected to follow. The other offshore Louisiana wildcat, in Ship Shoal Area Block 247, was completed as a dry hole shortly after year-end.

Murphy and ODECO own 12½ percent each in the Alamos Group, which acquired leases on 25 tracts in the offshore Texas area at a Federal sale in May. Acreage acquired by the group represents 19 percent of all

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1. **The "Ocean Queen,"** a semisubmersible drilling barge owned by Murphy's offshore affiliate, Ocean Drilling & Exploration Company, drills a well in the Louisiana waters of the Gulf of Mexico.

2. **Liquid hydrocarbons** are extracted from natural gas at a plant near Delhi, Louisiana. After the liquids have been removed, some of the dry gas is sold and some is returned to the Delhi Field for fuel use.

3. **A coating of concrete** is put on 22-inch pipe before it is laid in the Persian Gulf between the Sassan Field and Lavan Island, where Murphy and its partners have terminal facilities. The 88-mile pipeline was laid in water depths up to 300 feet, the deepest ever for a pipeline of that size. Sassan Field production was started during 1968.

acreage awarded at that sale, which was an important one. The group's bid of $11,500,000 represented only 2 percent of the aggregate of the successful bids.

The Alamos Group successfully completed a wildcat on East High Island Area Block 129. Another on Galveston Area Block 283 which was drilling at year-end was completed as a dry hole in early 1969.

Murphy was interested in 16 inland development wells in New Mexico, Texas, Arkansas, Louisiana and Mississippi, resulting in nine oil wells, three gas wells and four dry holes.

In the South Pelto Block 20 Field, in which Murphy and ODECO each has a 25-percent interest, eight stepout and development wells resulted in a gas well, three oil wells and four dry holes.

ODECO's development drilling off the Louisiana coast was centered in the Ship Shoal Block 113 Field, where 31 new oil streams were developed, and in the Vermilion Block 16 Gas Field. Crude oil production from the South Pelto Block 20 and Ship Shoal Block 113 Fields and natural gas from Vermilion Block 16 increased to record levels in 1968.

During the year, Murphy acquired oil and gas lease concentrations in several areas. Holdings totaling some 150,000 acres in the Williston Basin of Montana and North Dakota will be the scene of important wildcatting in 1969. An interest was acquired in 75,000 acres across the indicated Jurassic production trend of Alabama.

Venezuela

In Venezuela, efforts were directed to improving production rates and the ultimate recovery from the four concessions in which the Company is interested. Six wells were drilled in connection with production-improvement projects on Block 575 and Lot 17 in Lake Maracaibo, where Murphy's interest is 15 percent and 3.24 percent, respectively.

The Lamargas I gas-injection plant went into operation early in the year as part of a project to conserve gas and maintain pressure in the Campo Lamar Field on Lot 17. Construction was started on a gas-liquids extraction facility to remove natural gasoline, propane and butanes from produced gas before it is re-injected into the producing formation. This plant is expected to be completed during the third quarter of 1969.

Venezuelan production in 1968 was down somewhat from the record established in 1967, but it is expected that, by continuing pressure-maintenance projects on Block 575 and Lot 17 and improved techniques for production of heavy oil from Lot 9 in eastern Venezuela, the same net rate of production can be continued throughout 1969.

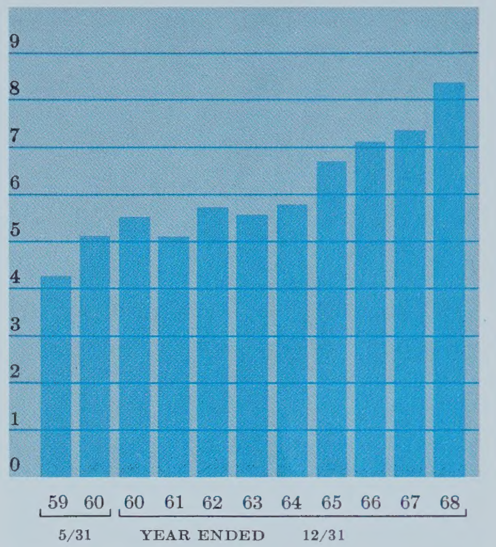
Canada

Production of crude oil and natural gas liquids in Canada improved slightly during the year. This was due to new production and to secondary recovery projects that more than offset the normal decline in production from older wells. New sources of crude oil production were established in the Browning area of southeastern Saskatchewan and in the Inga area in northeastern British Columbia.

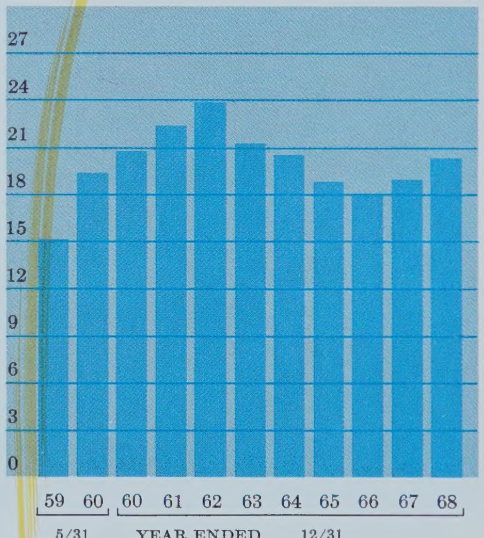
The Company's first production in British Columbia resulted from the acquisition of Crown lands and the drilling of six wells in the Inga Field. Five of the wells were productive. Four oil wells and a dry hole were completed during the course of a stepout drilling program in the Browning area. Murphy's interest ranges from 25 to 50 percent.

An exploratory program was started in southern Alberta with three test wells in which the Company's interest was one-third. Additional testing is planned there in 1969. Seismic surveys were conducted in Saskatchewan, northern Alberta and northeastern British Columbia.

Extending its exploration program to eastern Canada, Murphy along with other companies drilled a test well to the granite basement near Rimouski, Quebec. It was dry. Further drilling is planned on a large acreage block there. Murphy, with 25 percent, headed a group that drilled the first test well, a dry hole, on a surface structure in



NET CRUDE OIL AND GAS LIQUIDS PRODUCTION
in millions of barrels



NET NATURAL GAS PRODUCTION
in millions of MCF

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1. **A control board** at a Murphy refinery permits the operators to keep constant watch over such crucial items as temperatures and pressures. Murphy's refineries at Superior, Wisconsin and Meraux, Louisiana underwent improvement programs during 1968.

2. **Brightly colored** towers and pipes rise on Lavan Island in the Persian Gulf. Separation and treating installations for Sassan Field are located on the island, as are tanks to store 3,000,000 barrels of crude oil and facilities for loading tankers.

3. **A seismic crew** drills a shot hole on a tract in the Williston Basin of Montana.

Sydney Basin near Glace Bay, Nova Scotia, where a vast unproven area is being tested. Offshore permits have also been acquired in the region.

Near Fort McMurray, Alberta, where the Company has a 10-percent interest in 103,375 acres of Athabasca Oil Sands leases, experimental field investigations were continued. Definitive conclusions have not been reached, but results of the 1968 program were encouraging, and the program is expected to be continued for at least another year. An exploration program is planned for further evaluation of heavy crude oil reserves in the area.

North Sea

Importance of the 874-square-mile license held by Murphy and ODECO in Norwegian North Sea waters has been enhanced by the Phillips Petroleum Company gas and condensate discovery 50 miles to the west. Additional seismic data defined sound drilling prospects.

Drilling in the Norwegian North Sea will be an expensive undertaking. As they usually do in such cases, Murphy and ODECO have lessened their risk by reducing their ownership to 25 percent each.

There are two large structures involved, and they present what appears to be the Company's most promising exploration exposure in the North Sea at the present time.

Nothing of commercial interest has yet been found in British waters where Murphy and ODECO maintain interests varying from 3¾ to 7½ percent each in seven licenses covering 3,340 square miles. Two dry holes were completed during the year. Another prospect is scheduled for testing during the second quarter of 1969.

Spain

The Valdebro Group, in which Murphy is a 9.8-percent participant, encountered encouraging oil shows in an exploratory well in Burgos, although they were not indicative of commercial production. A second well five miles away was started early in 1969.

Australia-New Zealand

Agreement in principle has been reached for Murphy and ODECO, with an interest of one-sixth each, to join SNPA in a 5,364-square-mile offshore license off the northern coast of the South Island of New Zealand.

Early in 1969, Murphy contracted to undertake seismic work on a 2,100-square-mile license off the coast of New South Wales, subject to approval by the Australian Government. The Company will have an option to earn an 80-percent interest in the license by making additional expenditures. The projects afford the opportunity to explore large untapped sedimentary basins.

MANUFACTURING

Murphy's refineries at Superior, Wisconsin and Meraux, Louisiana ran an average of 51,800 barrels a day of crude oil and condensate during 1968, an increase of 8 percent over the 48,100 barrels a day in 1967. In addition, 26,500 barrels a day of crude oil were processed for Murphy's account at Montreal, Rotterdam and Cagliari, Sardinia.

It should be noted that a growing demand for crude oil and condensate along the Gulf Coast is resulting in increases in the cost of charge stocks for the Meraux Refinery.

A continuing program of improvement is being carried on at both the Meraux and Superior Refineries. A modification of the catalytic cracking unit at Meraux was completed in April. This increased the yield of gasoline needed for the Company's Southeastern markets and reduced the surplus of middle distillates which must be sold at wholesale.

A new concrete-and-steel river dock is being built at Meraux to replace the overcrowded floating docks.

A revamp of the crude unit at Superior was completed in June, resulting in improved yields of gasoline and distillate stocks, which are desirable in that market. Crude oil charge rates exceeded the planned level during the asphalt-producing season. The improved facilities resulted in a record volume of asphalt at the expense of lower value residual fuel. The Superior Refinery is expected to operate at the new high rates in 1969.

Additional storage and blending facilities are being built at Superior to provide all grades of high-quality asphalt for road-building programs in portions of Minnesota, Wisconsin and Michigan where Murphy dominates the market. These facilities will be completed early in 1969.

Engineering for a refinery to be built near Glasgow, Scotland was started in early 1969. This plant will have an initial capacity of 40,000 barrels a day. As would be expected in the case of a project of such significance to the region, the procedures for obtaining the necessary local and Scottish governmental approvals are time-consuming. It now appears that construction can begin in late 1969.

SUPPLY AND TRANSPORTATION

Processing agreements concluded earlier were operative throughout the year at refineries in Rotterdam, Montreal and Cagliari, Sardinia. At year-end, arrangements had been made to supply Sassan Field crude oil directly to these processing plants.

Movement of crude oil to Montreal via Portland, Maine has been arranged at satisfactory costs.

The continued closure of the Suez Canal has an adverse effect on the cost of North African crude oil purchased for processing under an existing contract at the refinery in Sardinia. Purchased crude will be replaced by Sassan crude early in 1969. However, so long as the Canal remains closed, it will be necessary to ship Sassan crude around the Continent of Africa and back into the Mediterranean. This long haul will continue to be costly, despite otherwise satisfactory tanker rates. Several exchange possibilities are being investigated in an attempt to reduce these costs.

Murphy and its associates in Libya have carried on discussions with the operators of existing pipelines concerning the transportation of Libyan crude oil to the Mediterranean. The SNPA Group is expected to build spur lines from its fields in Block 104B and 105 to connect with existing

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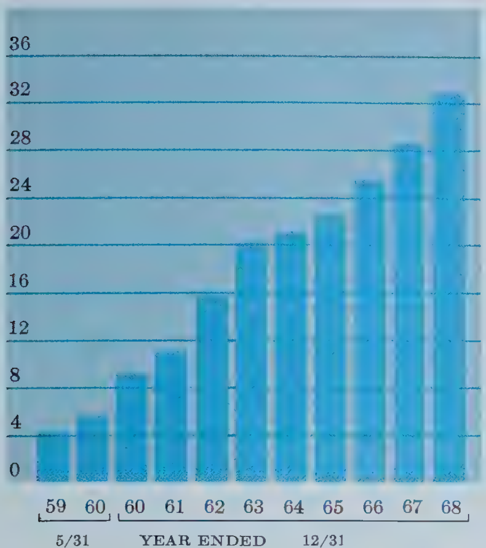
1. **Many Company-operated** Spur service stations have been converted to dealerships under a program that received emphasis during 1968. The number of service station employees declined, although there was an increase in the number of Spur outlets.

2. **Garden clubs,** chambers of commerce and other groups have recognized Murphy for the landscaping and design of its new service stations. Shrubs, flowers, inviting patios and stations that are designed to blend with the architecture of the neighborhood have received enthusiastic comment.

3. **The blend pump** permits a Spur customer to choose from one of five grades of gasoline, saving money for the motorist whose car has a fuel requirement between the usual regular and premium grades. A Spur motor oil designed for the extended time between oil changes now recommended by automobile manufacturers was introduced in 1968.



REFINED PRODUCT SALES
in millions of barrels

pipelines. Hopefully, an agreement will be reached which will permit the group's crude oil production to move to the market by the second half of 1969.

The first step has been taken to eliminate the gap between the Meraux Refinery and Murphy's terminals along the trunklines serving its Southeastern market area. Collins Pipeline Company has been formed as a joint venture with Tenneco Oil Company to construct a 16-inch pipeline from Meraux and the Tenneco refinery at Chalmette, Louisiana to the Collins, Mississippi juncture of the Colonial and Plantation pipeline systems. Product shipments through this line are scheduled to begin early in 1970.

A new terminal on Lake Michigan at Ferrysburg was completed, and the first shipment of products was delivered in June. The addition of this terminal is making it possible to expand branded and unbranded sales in the Grand Rapids, Michigan area.

MARKETING

Volumes of refined products sold increased 13 percent to an average of 88,000 barrels a day. New and improved terminal facilities provided better distribution in all areas.

United States

Sales of petroleum products in the United States increased about 9 percent to more than 58,000 barrels a day. Gasoline sales were more than 8 percent greater than a year earlier and were at a record level. For the first time, the Company sold more than a million barrels of asphalt.

Retail prices improved because of increases in most of the Southeastern states, but a downward trend developed during the fourth quarter and prices fell below 1967 levels. Average terminal realizations for gasoline and fuel oil improved as a result of increased branded sales.

An aggressive program of service station construction and improvement continued and will be carried forward. Emphasis has been placed on the construction of "full-service" stations in key markets. Because of improved design of stations and more attractive landscaping, several Spur stations have been selected to receive beautification awards from garden clubs, chambers of commerce and other groups.

The number of stations marketing Spur products in the United States increased almost 6 percent to 1,171 at year-end although several stations were closed because they were not well situated in the Company's system. An active program to develop new dealers and commission agencies continues to be quite successful.

Spur's new EMO Supreme motor oil for extended mileage was introduced in early 1968, and increased emphasis was placed on the sale of Spur batteries and other items in the tires and accessories line. A new Spur oil filter has been developed and will go on the market in early 1969. Total TBA sales in 1968 were more than 75 percent higher than in 1967, and another substantial increase is indicated in 1969.

Canada

Sales of petroleum products in Canada again increased significantly to an average of 12,100 barrels a day. At year-end, the Company was marketing through 182 Spur outlets in Quebec and Ontario.

A new marine terminal at Chicoutimi, Quebec was built during the year. The terminal has storage for 135,000 barrels of refined products and automated truck-loading equipment. This new facility affords direct product supply for the important Lac Saint-Jean industrial area.

The profit improvement from higher product volumes was offset to some extent by continued poor retail prices for gasoline in Ontario and Quebec. Also restraining earnings were a depressed wholesale gasoline market in Ontario and an unfavorable price for residual fuel in Quebec.

United Kingdom

Sales of refined products in the United Kingdom averaged 12,200 barrels a day. The number of outlets retailing the Company's Murco, EP and Olympic brands increased by 119 to 554. Sales volumes through the new depot at Bedworth, which gives access to the highly industrialized British midlands, reached a satisfactory level after a year of operation.

As a result of prices being held down by competitive factors, the Company has not been able to recover substantial additional purchased products and operating costs. Resumption of volume expansion and improvement in operating results are expected in 1969.

Sweden

Sales of refined products in Sweden averaged 1,420 barrels a day in 1968. Expansion into the heating fuel market has continued at a satisfactory rate.

Government restrictions on service station construction in Sweden have limited development of new outlets, but four were added during the year, bringing the number of Murco and Uno-X stations to 124. These restrictions were foreseen, and Murphy's Swedish subsidiary had established a creditable position in the market prior to the clampdown.

At Gothenburg, the Company acquired a terminal that had been leased previously. Expansion of that terminal and construction of tankage at other terminals will reduce unit operating costs and will facilitate supply of Scottish refined products.

CONTRACT DRILLING

Ocean Drilling & Exploration Company (ODECO) had 12 drilling barges operating and one under construction at the end of 1968.

In the Gulf of Mexico, employment of ODECO's semisubmersible and submersible drilling barges was high during the year, partly because of an increased demand resulting from a lease drainage sale. This, with greater utilization of submersible equipment on ODECO's own properties, resulted in a barge utilization factor of more than 95 percent.

The barge under construction, the "Ocean Star," is scheduled for work in the Gulf of Mexico. It will be ODECO's first jack-up type rig. "Ocean Star," scheduled for delivery in the fall of 1969, will be capable of drilling to 20,000 feet in up to 173 feet of water.

"Ocean Prince," a semisubmersible barge owned one-half by ODECO, was lost in a storm March 6, 1968 while drilling in the British North Sea. There were no casualties, and the loss of the unit was fully covered by insurance.

A full re-evaluation was made of ODECO's equipment and its capabilities of operating in the North Sea. Appropriate modifications were made to other semisubmersible rigs in the ODECO fleet to minimize the possibility of recurrence of such a loss.

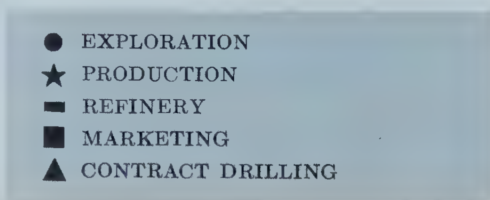
Two of ODECO's semisubmersible barges are working in the Norwegian North Sea, and a third is drilling off the south coast of Australia.

TIMBER AND FARMING

Prices for pine sawtimber continued to increase during the year, and records were established in volumes of such timber marketed and the prices received. The forest improvement program of weed tree eradication and brush control was accelerated. Reforestation of pine growing tracts was continued.

Deltic Farm & Timber Co., Inc. produced an average yield of cotton and record volumes of soybeans, despite the wettest year in more than a decade. The rainfall lowered the

International Operations



quality of much of the cotton, depressing prices at harvest time.

Deltic farms produced an average of 780 pounds of lint cotton an acre on 2,300 acres, 50 percent more acreage than was planted in 1967. Soybean yields averaged 31 bushels an acre on more than 10,000 acres, a 25-percent increase over the 1967 acreage.

PERSONNEL

The number of employees decreased by 211 to 3,662 at the end of 1968. Employment within the parent Company generally remained at 1967 levels. A notable exception in service station employment was a result of a successful program to convert Company stations to dealerships. Subsidiaries in Canada, Sweden and the United Kingdom had moderate increases to accommodate continued growth.

Intensified attention is being given to supervisory training and development. Programs are being designed to accelerate development of a supervisory and managerial team that is more goal-oriented. Supervisors throughout the enterprise are participating in these training sessions.

Good working conditions and progressive salary and wage administration helped maintain excellent relations with employees throughout 1968. Because of an outstanding safety program and cooperation on the part of employees, the parent Company's injury frequency is substantially lower than the average for the petroleum industry, and the number of disabling accidents was 60 percent lower than in 1967.

Charles E. Cowger, senior vice president, and James R. Jones, controller, were elected to the Board of Directors. B. Harold Monzingo, senior assistant controller of Murphy Oil Corporation, became vice president of finance and administration for Murphy Oil Company Ltd., and C. F. Cate, Jr. was advanced to assistant controller. Charles G. Cobb, formerly a division accounting manager in the parent Company, became accounting manager for Murco Petroleum Limited in London.

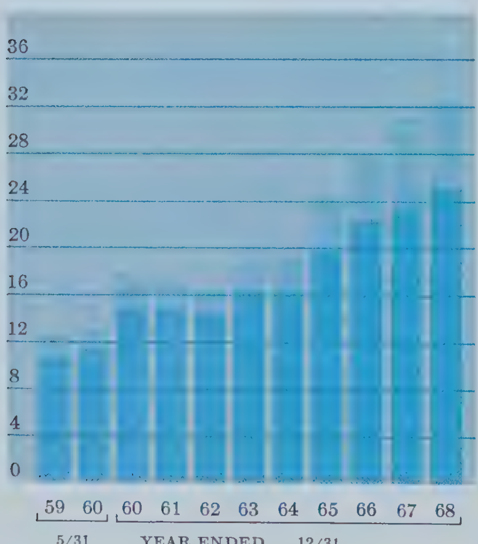
EARNINGS AND DIVIDENDS

Consolidated net income was $8,189,000, equal to $1.57 a Common share after providing for dividends on the Preferred and Preference Stock. Included in net income was $898,000, 21 cents a share, arising from a gain on the sale of a small gas-producing property and the proceeds from the settlement of a tax claim. In 1967, consolidated net income was $8,218,000, equal to $1.78 a share after deducting $456,000, 12 cents a share, for consolidated foreign exchange loss resulting from the devaluation of the British pound.

Cash flow for the year was a record $24,274,000, surpassing the previous high attained in 1967 by $521,000.

Dividends paid on the Preferred and Preference Stock amounted to $1,432,000 for the year, compared with $1,198,000 in 1967. Common Stock dividends of $2,466,000, equal to 57½ cents a share, were paid during the year, compared with $1,974,000, 50 cents a share, in 1967. Reflected is the increase in the quarterly dividend rate from 12½ cents to 15 cents approved by the Board May 1, 1968 and a larger number of Common shares outstanding as a result of the call for redemption of the Company's Cumulative Preference Stock, 4.90% Series (see Capital Employed).

The weighted average shares of Common Stock outstanding were 4,331,720 for 1968 versus 3,916,679 for 1967.



CASH FLOW in millions of dollars

Minority interest

REVENUES

Consolidated gross revenues exceeded $200,000,000 for the first time and were $214,551,000 for the year. This was an 8-percent improvement over 1967. Sales increased $11,083,000 to $183,999,000. Revenues from sales of refined products were $158,719,000, compared with $144,224,000 a year earlier. This 10-percent improvement reflects increased sales volumes for all products in virtually all marketing areas. Product prices had little effect on revenue growth since they did not vary significantly from the year before. Crude oil and natural gas sales were $22,811,000, an increase of $2,961,000 or 15 percent over the prior year. This is the result of crude oil and gas liquids production rising from an average of 20,200 barrels a day in 1967 to 23,000 barrels a day in 1968 and of moderately higher crude prices. Revenues from agricultural products and timber were $1,518,000, compared with $1,619,000. This decline was caused by a much weaker cotton market and the inventorying of a portion of the soybean harvest in anticipation of an advance in prices only partially offset by higher prices realized on pine sawtimber. Bromine and gas plant product sales were $951,000, up from $919,000.

Drilling and other operating revenues attained a new high at $27,821,000, a 13-percent increase over 1967. A large portion of this rise in revenue was the result of a full year's operations of the two semisubmersible drilling barges which were added to the fleet during 1967. Barge days utilized totaled 4,007 for the year, compared with 3,819 in the prior year.

Dividends, interest and other income increased $1,030,000 to $2,731,000. This improvement was mainly due to interest on advances and short-term investments.

COSTS AND DEDUCTIONS

Costs and deductions were $207,260,000 for the year, compared with $190,513,000 a year earlier. As a percent of revenue, costs and deductions were 96.6, compared with 95.6 in 1967. Costs of crude oil, products and related operating expenses amounted to $142,926,000, an increase of $9,249,000 or 7 percent over the prior year. This increase was due for the most part to record oil and gas production, petroleum product sales volumes and refinery runs and higher costs of wages, ocean transportation, crude processed and other operating materials and supplies.

Greater contract drilling activity, general wage increases and advances in the prices of other operating materials increased drilling barge and other operating expenses 20 percent to $12,561,000. A full year's operating expenses for the two semisubmersible drilling barges which began operations during 1967 are reflected in the 1968 amount.

Exploratory expenses including dry hole costs were $6,260,000, a decrease of $671,000 from the prior year. The biggest factor in this difference was $580,000 charged against exploratory costs in 1967 as the result of releasing certain Louisiana offshore leases acquired five years earlier.

Selling, general and administrative expenses were $15,931,000 versus $14,543,000 for the preceding year. This 10-percent increase of $1,388,000 was mostly the result of expanded operations and higher wages and salaries. Selling, general and administrative expenses were 7.4 percent of total revenue, compared with 7.3 percent for 1967.

An increase of $1,912,000 in depreciation, depletion and amortization to $15,012,000 reflects the additional depletion on higher crude oil and gas liquids production and depreciation on the additions to property, plant and equipment in all categories. Interest expense rose $597,000 to $4,959,000 due to higher rates and an increase in total debt.

Taxes other than income taxes were $3,772,000 for the year, up slightly from the $3,570,000 charged in the prior year. Excise taxes of $98,398,000 were collected and paid to governmental

agencies. This was an increase of $7,063,000 over the excise taxes collected in 1967.

Provision was made for $2,539,000 in Federal, foreign and other income taxes during the year. This was $1,502,000 higher than in the prior year. In 1967, income taxes were reduced by the relinquishment of certain acreage in the Persian Gulf and Venezuela and by a reduction in the provision for deferred and noncurrent taxes resulting from the settlement of certain tax questions with respect to prior years' income. Similar deductions were not available this year. Of the amount provided during 1968, $455,000 was deferred in accordance with requirements of Opinion No. 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants. The Company does not agree with the principles set forth in this opinion.

CAPITAL EXPENDITURES

Capital expenditures were $31,420,000 for the year, down $2,583,000 from the $34,003,000 spent in 1967. Expenditures of $4,336,000 including $3,521,000 in dry hole charges were expensed. Charges for dry holes in 1967 were $3,838,000.

Production and exploration expenditures amounted to $19,655,000 and included $1,984,000 in inland United States, $9,715,000 in the Gulf of Mexico, $2,062,000 in Canada, $3,499,000 in Iran, $1,395,000 in Libya and $1,000,000 in other areas. The largest single expenditure, exclusive of the completion of the Persian Gulf production facilities, was the $2,948,000 spent with the Alamos Group for the acquisition of Texas offshore leases. The remainder of the Gulf of Mexico expenditures was mostly for development drilling in Ship Shoal Block 113, South Pelto Block 20 and Vermilion Block 16, all offshore Louisiana.

Capital expenditures at the refineries were $1,752,000 and consisted principally of charges for revamp work on the fluid catalytic cracking unit at Meraux and the crude unit at Superior. In 1967, refinery capital expenditures totaled $1,849,000.

Marketing expenditures for service station construction and modernization, site acquisition and terminal construction and for other marketing and distribution facilities were $6,422,000 for the year. This compares with $5,961,000 spent the previous year. Of the 1968 expenditures, $3,974,000 was spent in the United States, $1,586,000 in Canada and $862,000 in the United Kingdom and Sweden. In addition, $5,124,000 was spent by certain financial institutions for the construction of service stations which were leased to the Company.

Additions to drilling barges and equipment cost $3,209,000, a sizable decrease from the $6,803,000 spent in the prior year. The 1967 charges included completion costs on two semisubmersible barges which were added to the fleet that year. The 1968 expenditures include $491,000, the initial charges for the "Ocean Star," a jack-up rig under construction; $1,277,000 representing the cost of modification work performed on the "Ocean Traveler" and the "Ocean Viking" operating in the North Sea, and $1,441,000 for miscellaneous modernization work.

Capital expenditures related to farm and timber operations were $382,000.

CAPITAL EMPLOYED

At year-end, working capital was $39,727,000, a decrease of $2,682,000 from a year earlier. Long-term debt was $64,979,000, compared with $64,856,000 in 1967 exclusive of current amounts of $7,846,000 and $4,235,000, respectively.

On May 1, 1968, the Board of Directors called for redemption the Company's Cumulative Preference Stock, 4.90% Series. Each share in this series was convertible into four and one-quarter shares of Common Stock of the Company on or before June 3. As a result of shares converted prior to the redemption call, together with shares converted pursuant to the call, 154,410 shares of the 4.90% Series were converted to 655,917 shares of Common Stock of the Company. Cash was paid in lieu of fractions on 325.5 Common shares. The remaining 412 shares of the 4.90% Series may be redeemed for cash at the applicable redemption price of $103.50 plus three cents a share accumulated dividends. Funds for the redemption were deposited with the Company's redemption agent.

Stockholders' equity at year-end amounted to $136,960,000, an increase of $4,477,000 for the year. During the year, 125 shares of Cumulative Preference Stock, 5.20% Series, were converted to 311 shares of Common Stock of the Company.

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT OF THE COMPANY AND CONSOLIDATED SUBSIDIARIES

	1968 Additions	Investment December 31, 1968	Investment December 31, 1967
Production and exploration	$14,948,000	134,026,000	121,233,000
Manufacturing	1,657,000	33,441,000	31,923,000
Marketing	6,075,000	48,102,000	43,133,000
Drilling barges and equipment	3,012,000	59,485,000	57,224,000
Farms and timber	382,000	9,264,000	9,038,000
Other	1,010,000	4,313,000	4,354,000
	$27,084,000	288,631,000	266,905,000
Reserves for depreciation, depletion and amortization		107,897,000	96,040,000
		$180,734,000	170,865,000

MURPHY
OIL CORPORATION and Consolidated Subsidiaries

STATEMENT OF INCOME—YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
REVENUES		
Sales	$183,999,000	172,916,000
Drilling and other operating revenues	27,821,000	24,570,000
Dividends, interest and other income	2,731,000	1,701,000
Total revenues	214,551,000	199,187,000
COSTS AND DEDUCTIONS		
Crude oil, products and related operating expenses	142,926,000	133,677,000
Drilling barge and other operating expenses	12,561,000	10,500,000
Exploration expenses including dry holes	6,260,000	6,931,000
Selling and general expenses	15,931,000	14,543,000
Depreciation, depletion and amortization	15,012,000	13,100,000
Taxes other than income taxes	3,772,000	3,570,000
Interest expense	4,959,000	4,362,000
Federal, foreign and other income taxes	2,539,000	1,037,000
Minority interests' income	3,300,000	2,793,000
Total costs and deductions	207,260,000	190,513,000
INCOME BEFORE EXTRAORDINARY ITEMS	7,291,000	8,674,000
Extraordinary items less income taxes of $260,000 in 1968 and $91,000 in 1967:		
Tax refund and gain on sale of property	898,000	—
Loss on devaluation of British pound	—	(456,000)
NET INCOME	$ 8,189,000	8,218,000
Per share of Common Stock:		
Income before extraordinary items	$1.36	1.90
Net income	1.57	1.78
Pro forma assuming conversion of all outstanding Cumulative Preference Stock and exercise of outstanding warrant and options:		
Income before extraordinary items	1.41	1.78
Net income	1.60	1.68

See accompanying notes to financial statements, page 20.

BALANCE SHEET—DECEMBER 31, 1968 and 1967

	1968	1967
ASSETS		
Current assets:		
Cash	$ 10,182,000	9,047,000
Certificates of deposit	2,287,000	9,345,000
Marketable securities, at cost which approximates market	8,125,000	5,726,000
Accounts receivable, less allowance for doubtful accounts of $1,138,000 in 1968 and $1,083,000 in 1967	38,089,000	35,104,000
Inventories of crude oil and finished products	26,319,000	20,685,000
Materials and supplies	2,999,000	2,437,000
Total current assets	88,001,000	82,344,000
Investments and noncurrent receivables, principally at cost	12,026,000	11,458,000
Property, plant and equipment, at cost less reserves	180,734,000	170,865,000
Deferred charges and other assets	5,615,000	5,078,000
	$286,376,000	269,745,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Long-term debt due within one year	$ 7,846,000	4,235,000
Notes payable	4,133,000	2,298,000
Accounts payable and accrued liabilities	34,886,000	31,699,000
Income taxes	1,409,000	1,703,000
Total current liabilities	48,274,000	39,935,000
Long-term debt	64,979,000	64,856,000
Deferred credits and other liabilities	3,854,000	2,854,000
Deferred and noncurrent income taxes	5,553,000	5,225,000
Minority interests in subsidiaries	26,756,000	24,392,000
Stockholders' equity	136,960,000	132,483,000
	$286,376,000	269,745,000

See accompanying notes to financial statements, page 20.

MURPHY
OIL CORPORATION and Consolidated Subsidiaries

STATEMENT OF STOCKHOLDERS' EQUITY—YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
CAPITAL STOCK		
Cumulative Preferred Stock, Series A, 5½%, par $100, authorized and issued 39,830 shares	$ 3,983,000	4,134,000
Cumulative Preference Stock, par $100, authorized 400,000 shares:		
4.90% Series, called for redemption in 1968	—	13,166,000
5.20% Series, authorized and issued 171,808 shares	17,181,000	17,193,000
Common Stock, par $1.00, authorized 6,000,000 shares, issued 4,549,717 shares	4,550,000	3,991,000
Capital Stock at end of year	25,714,000	38,484,000
CAPITAL IN EXCESS OF PAR VALUE		
Balance at beginning of year	51,591,000	49,086,000
Excess of proceeds over par value of Common Stock sold	20,000	288,000
Conversion of Cumulative Preference Stock, 4.90% Series and 5.20% Series, into Common Stock	12,565,000	2,217,000
Cost of converting Cumulative Preference Stock, 4.90% Series	(70,000)	—
Capital in Excess of Par Value at end of year	64,106,000	51,591,000
RETAINED EARNINGS		
Balance at beginning of year	42,426,000	38,090,000
Net income for the year	8,189,000	8,218,000
Cost of issuance of Cumulative Preference Stock, 5.20% Series	—	(517,000)
Cash dividends declared:		
Preferred and Preference Stock	(991,000)	(1,391,000)
Common Stock—$0.57½ and $0.50 a share	(2,466,000)	(1,974,000)
Retained Earnings at end of year	47,158,000	42,426,000
Treasury stock, 1,000 shares of Common Stock, at cost	(18,000)	(18,000)
TOTAL STOCKHOLDERS' EQUITY	$136,960,000	132,483,000

See accompanying notes to financial statements, page 20.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS—YEARS ENDED DECEMBER 31, 1968 and 1967

	1968	1967
SOURCE OF FUNDS		
Net income	$ 8,189,000	8,218,000
Depreciation, depletion and amortization	15,012,000	13,100,000
Abandoned properties	755,000	1,633,000
Deferred and noncurrent income taxes	415,000	603,000
Minority interests' income	3,300,000	2,793,000
Other	2,588,000	1,891,000
Funds provided by operations	30,259,000	28,238,000
Sale of Preference Stock	—	16,677,000
Increase in long-term debt	123,000	4,106,000
Other	1,686,000	2,291,000
Total funds provided	32,068,000	51,312,000
APPLICATION OF FUNDS		
Additions to property, plant and equipment	27,084,000	29,623,000
Dividends	3,457,000	3,365,000
Major drilling barge and refinery repairs	1,587,000	991,000
Investments and noncurrent receivables	568,000	5,550,000
Reduction of deferred and noncurrent income taxes	87,000	1,346,000
Other	1,967,000	2,208,000
Total funds applied	34,750,000	43,083,000
INCREASE (DECREASE) IN WORKING CAPITAL	$ (2,682,000)	8,229,000

See accompanying notes to financial statements, page 20.

Notes to Financial Statements

(See pages 15 and 21 for details of property, plant and equipment and long-term debt, respectively.)

Principles of Consolidation

The consolidated financial statements include the assets and liabilities and operations of Murphy Oil Corporation and its significant majority-owned subsidiaries. In the consolidated financial statements, all intercompany asset and liability accounts and intercompany income and expense transactions since the dates majority interests were acquired have been eliminated.

Foreign currency amounts have been translated to United States dollars at appropriate rates of exchange. The translation gains or losses which were insignificant in amount have been included in income.

The geographical distribution of consolidated assets and net income is shown below:

	Assets	Net Income
United States	$169,913,000	8,822,000
Other Western Hemisphere	39,330,000	1,181,000
Eastern Hemisphere	77,133,000	(1,814,000)
	$286,376,000	8,189,000

Inventories

Inventories of finished products are stated at the lower of cost (applied on a first-in, first-out basis) or market, and inventories of crude oil are stated at market prices. Materials and supplies are stated at average cost.

Property, Plant and Equipment

Undeveloped leasehold costs, including related geological and geophysical expenditures, are capitalized and transferred to producing properties if production is obtained. Nonproducing leases are charged against income when relinquished. Delay rentals and other carrying costs are expensed. Dry hole costs and other exploration expenditures are charged to income as incurred.

Depreciation and depletion of producing oil and gas properties are computed on the unit-of-production method based on estimated remaining recoverable oil and gas reserves for each separate property except for properties located offshore Louisiana which are combined and treated as one property. Intangible development costs, included in producing oil and gas properties for financial purposes, are deducted when incurred for income tax purposes. Depreciation of marketing and refining properties, drilling barges and related equipment, and other properties is computed on the straight-line method based on the estimated useful lives of the properties.

Income Taxes

The provision for Federal, foreign and other income taxes consists of the following:

	Federal	Foreign and Other	Total
Current	$1,225,000	799,000	2,024,000
Noncurrent	28,000	32,000	60,000
Deferred	195,000	260,000	455,000
	$1,448,000	1,091,000	2,539,000

The provision for Federal income taxes has been reduced by investment tax credit of $1,313,000. Unused investment credit of approximately $900,000 at December 31, 1968, not reflected in the financial statements, is available for carryover to future years. Noncurrent taxes relate to matters the settlement of which is uncertain. Deferred taxes arise primarily from accelerated depreciation used for tax purposes.

Employee Retirement Plans

The Company and certain subsidiaries have several retirement plans covering substantially all of their employees, including certain employees in foreign countries. The cost of the plans for the year was $337,000, which includes amortization of prior service costs over periods ranging from five to 12 years. Such cost is funded as accrued. A change in the interest assumption on investments for one of the plans in 1968 had no material effect on net income. The unfunded prior service cost is approximately $660,000. At December 31, 1968, the total of retirement plan funds and balance sheet accruals was sufficient to cover the actuarially computed value of vested benefits.

Stock Options and Warrant

Options to purchase 16,070 shares of Common Stock which were granted prior to January 1, 1964 to officers and key employees under the Company's Employee Stock Option Plan were outstanding and exercisable at December 31, 1968. These options are exercisable at prices ranging from $18.75 to $19.04 a share which represent 95% of the fair market value of the shares covered by each option on the date of grant, adjusted pursuant to anti-dilution provisions. Options were exercised during the year with respect to 1,150 shares at prices ranging from $18.75 to $18.88 a share.

A warrant, issued in 1961 pursuant to terms of a loan agreement and expiring in 1976, is outstanding for the purchase of 158,550 shares of the Company's Common Stock at $21.76 a share until September 1, 1971 and $29.46 a share thereafter.

Stockholders' Equity

A Note of the Company and the provisions of the Certificate of Incorporation, as amended, relating to the Cumulative Preferred Stock, Series A, contain, among other things, restrictions on the payment of dividends, other than dividends payable in Common Stock. At December 31, 1968, under the most restrictive of such provisions, retained earnings of approximately $12,612,000 were free from such restrictions.

The Board of Directors has recommended that the stockholders approve an amendment to the Company's Certificate of Incorporation at the annual meeting to be held May 7, 1969. The proposed amendment would affect certain provisions relating to the Series A by deleting the restrictions on the creation of indebtedness, increasing the annual dividend rate from 5½% to 6¼% effective January 1, 1969 and increasing the annual sinking fund by $252,100 beginning June 1, 1971. If the stockholders do not approve the amendment, the 39,830 shares of Series A outstanding must be called for redemption at $106 a share.

Each share of Cumulative Preference Stock, 5.20% Series, is convertible into 2.50 shares of Common Stock at any time prior to June 1, 1982. There are 429,520 shares of the Company's authorized and unissued Common Stock reserved for issuance upon conversion of the shares of Preference Stock.

During the year 1,512 shares of the Series A were redeemed under the provisions of the annual sinking fund and 125 shares of the 5.20% Series were converted into 311 shares of Common Stock. The Board of Directors called for redemption the Company's Cumulative Preference Stock, 4.90% Series, on May 1, 1968. Including shares converted prior to the call, 131,252 shares of the 4.90% Series were converted into 557,509 shares of Common Stock in 1968. Funds were deposited with the redemption agent for redemption of the remaining 412 shares of the 4.90% Series at $103.50 a share plus accumulated dividends.

In January 1969 a subsidiary issued $25,000,000 of 5% Convertible Debentures Due 1989. The Debentures are guaranteed by the Company on a subordinated basis and are convertible into Common Stock of the Company on or after September 1, 1969 at $52 a share. The Company has reserved 480,769 shares of its authorized and unissued Common Stock for issuance upon conversion of the Debentures.

Income Per Share

Income per share has been computed on the basis of weighted average shares outstanding. In computing pro forma income per share, dividends on outstanding Cumulative Preference Stock have been added to income applicable to Common Stock. It was assumed that funds obtained from exercise of the options and warrant were used to retire part of the Company's 6¼% Note with the reduction in interest less income taxes added to income. The additional issuable shares of Common Stock were added to average shares outstanding.

Commitments

The Company and its subsidiaries are obligated as lessees under long-term leases expiring more than three years after December 31, 1968 principally on service stations and office space. The minimum annual rentals payable under these leases (without reduction of related rental income) are approximately $4,206,000. Set forth below are the annual rentals on leases expiring within the periods indicated:

1972–1978	$1,396,000
1979–1988	2,390,000
After 1988	420,000
	$4,206,000

The leases generally contain multiple renewal options and leases on service stations provide that the companies shall pay property taxes, insurance and other charges.

Commitments had been made at December 31, 1968 for capital expenditures of approximately $8,400,000.

MURPHY
OIL CORPORATION and Consolidated Subsidiaries

LONG-TERM DEBT—DECEMBER 31, 1968

MURPHY OIL CORPORATION	Due Within One Year	Long-Term
Note, 6¼% due 1969 to 1983	$2,400,000	33,600,000
Notes payable to foreign bank, 7% due 1971	—	3,460,000 (a)
Notes, 7¼% due 1973	—	2,303,000 (a)
Mortgage notes, 5% due 1969 and 1970	40,000	36,000
Total Company	2,440,000	39,399,000
SUBSIDIARIES		
Notes, 5.32% due 1970 to 1977	1,218,000 (b)	10,890,000
Mortgage note, 5½% due 1969 to 1983	142,000	3,270,000
Mortgage notes, 5½% due 1969 to 1982	150,000	1,925,000
Note payable to foreign branch of U. S. bank, 7% due 1969	3,000,000 (c)	—
Notes payable to bank, 5½% and 6% due 1969 and 1970	800,000	800,000
Notes payable to foreign banks, 6½% and 6¾% due 1972 and 1973	—	7,990,000 (a)
Other indebtedness due 1969 to 1981	96,000	705,000
Total Subsidiaries	5,406,000	25,580,000
CONSOLIDATED	$7,846,000	64,979,000

Amounts becoming due for the four years after 1969 are: 1970, $5,556,000; 1971, $7,648,000; 1972, $9,988,000; and 1973, $8,718,000.

(a) United States dollar equivalent. (b) Additional annual payments are required when earnings of the subsidiary exceed a certain amount. (c) In event of default, the note is payable from revenues of a drilling barge.

Accountants' Report

THE BOARD OF DIRECTORS
MURPHY OIL CORPORATION:

We have examined the balance sheet of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 1968 and the related statements of income and stockholders' equity and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and stockholders' equity present fairly the financial position of Murphy Oil Corporation and Consolidated Subsidiaries at December 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

Shreveport, Louisiana
March 5, 1969

YEAR ENDED DECEMBER 31	1968	1967	1966	1965
FINANCIAL				
Sales and operating revenues:				
Oil and gas and refined products	**$182,884,000**	171,706,000	158,973,000	142,549,000
Drilling revenue	**$ 27,418,000**	24,161,000	19,557,000	15,956,000
Agricultural products and timber	**$ 1,518,000**	1,619,000	1,330,000	1,203,000
Nonoperating income	**$ 2,731,000**	1,701,000	2,372,000	1,275,000
Total gross revenues	**$214,551,000**	199,187,000	182,232,000	160,983,000
Income before extraordinary items**	**$ 7,291,000**	8,674,000	8,431,000	6,373,000
Per share of Common Stock**	**$ 1.36**	1.90	1.92	1.47
Net income**	**$ 8,189,000**	8,218,000	8,431,000	6,373,000
Per share of Common Stock**	**$ 1.57**	1.78	1.92	1.47
Cash flow**	**$ 24,274,000**	23,753,000	22,383,000	19,888,000
Per share of Common Stock**	**$ 5.29**	5.74	5.52	4.96
Capital expenditures:				
Production and exploration	**$ 19,655,000**	18,787,000	11,599,000	18,495,000
Manufacturing	**$ 1,752,000**	1,849,000	2,524,000	533,000
Marketing	**$ 6,422,000**	5,961,000	4,280,000	3,226,000
Contract drilling	**$ 3,209,000**	6,803,000	13,023,000	10,930,000
Timber	**$ 382,000**	603,000	236,000	240,000
Total capital expenditures	**$ 31,420,000**	34,003,000	31,662,000	33,424,000
Total assets	**$286,376,000**	269,745,000	231,249,000	205,380,000
Working capital	**$ 39,727,000**	42,409,000	34,180,000	28,566,000
Long-term debt	**$ 64,979,000**	64,856,000	60,750,000	54,254,000
Stockholders' equity	**$136,960,000**	132,483,000	110,802,000	104,991,000
Cash dividends—Preferred and Preference	**$ 1,432,000**	1,198,000	998,000	686,000
—Common	**$ 2,466,000**	1,974,000	1,938,000	1,936,000
Shares of Common Stock outstanding	**4,548,717**	3,989,747	3,876,191	3,875,891
PEOPLE				
Stockholders	**5,208**	4,980	5,228	4,973
Employees	**3,662**	3,873	3,634	3,879
Wages and benefits	**$ 24,504,000**	23,881,000	21,347,000	18,650,000
PRODUCTION AND EXPLORATION				
Crude oil and gas liquids produced—barrels, net	**8,408,000**	7,388,000	7,147,000	6,718,000
Natural gas produced—MCF, net	**20,293,000**	18,863,000	18,088,000	18,827,000
Net wells completed:				
Oil wells	**15**	26	29	37
Gas wells	**3**	3	2	3
Dry holes	**20**	18	35	32
Oil and gas wells owned, net	**597**	619	602	592
Undeveloped acreage, net	**2,657,376**	2,436,180	2,338,983	2,965,124
MANUFACTURING				
Barrels of crude processed:				
At Company refineries	**18,955,000**	17,572,000	16,575,000	15,027,000
At other refineries	**9,689,000**	4,693,000	3,880,000	2,808,000
Crude refining capacity—barrels per day	**55,000**	50,000	47,000	44,000
MARKETING				
Refined products sold—barrels:				
Gasoline	**16,938,000**	15,745,000	14,165,000	12,064,000
Distillates	**9,332,000**	7,522,000	6,871,000	6,377,000
Residuals	**4,930,000**	4,300,000	3,803,000	3,725,000
Asphalt	**1,021,000**	948,000	737,000	410,000
Total	**32,221,000**	28,515,000	25,576,000	22,576,000
Branded retail outlets—leased and owned	**928**	833	779	735
—others	**1,103**	995	665	598

*Includes data for the entire period with respect to operations for Spur Oil Company to reflect a "pooling of interests" in 1960.

**After elimination of minority interests.

Cash flow equals net income plus depreciation, depletion, amortization, canceled and surrendered leases, geophysical expense, dry hole contributions, dry holes and abandonments, and provision for deferred and noncurrent income tax.

Net income and cash flow per share figures and the number of shares of Common Stock outstanding have been adjusted for the stock dividends of 2% in 1962 and 4% in 1959.

					YEAR ENDED MAY 31	
1964	1963	1962	1961	1960*	1960	1959
130,887,000	125,216,000	122,174,000	97,591,000	85,001,000	48,518,000	37,878,000
12,404,000	9,258,000	6,962,000	6,629,000	7,674,000	7,249,000	6,424,000
1,189,000	1,241,000	1,136,000	1,085,000	1,004,000	1,018,000	950,000
904,000	790,000	718,000	685,000	157,000	529,000	242,000
145,384,000	136,505,000	130,990,000	105,990,000	93,836,000	57,314,000	45,494,000
4,254,000	4,760,000	3,056,000	5,049,000	4,544,000	3,507,000	2,919,000
1.03	1.16	.72	1.40	1.35	1.34	1.12
4,254,000	4,760,000	3,056,000	5,049,000	5,921,000	3,507,000	2,919,000
1.03	1.16	.72	1.40	1.76	1.34	1.12
16,181,000	16,315,000	14,664,000	15,109,000	15,067,000	11,390,000	10,602,000
4.12	4.16	3.73	4.24	4.47	4.34	4.08
11,097,000	6,373,000	12,903,000	11,717,000	—	8,410,000	9,572,000
558,000	293,000	1,900,000	16,824,000	—	1,217,000	4,251,000
3,124,000	2,225,000	3,457,000	5,525,000	—	4,692,000	2,326,000
8,391,000	3,784,000	2,750,000	230,000	—	235,000	256,000
430,000	110,000	126,000	139,000	—	196,000	221,000
23,600,000	12,785,000	21,136,000	34,435,000	—	14,750,000	16,626,000
175,497,000	160,539,000	158,209,000	149,090,000	120,564,000	98,473,000	87,723,000
18,233,000	20,577,000	18,632,000	16,923,000	16,697,000	15,730,000	9,000,000
47,503,000	43,629,000	45,311,000	36,594,000	33,032,000	32,843,000	27,823,000
86,388,000	84,408,000	81,955,000	81,239,000	62,004,000	46,940,000	41,965,000
254,000	263,000	271,000	130,000	—	—	—
1,935,000	1,931,000	1,919,000	1,725,000	—	—	—
3,870,527	3,862,633	3,856,269	3,856,269	3,407,470	2,667,974	2,605,843
5,417	5,220	5,600	5,775	6,430	2,320	1,370
3,585	3,418	3,415	3,410	2,555	972	808
16,357,000	15,300,000	15,196,000	12,269,000	10,741,000	5,589,000	4,423,000
5,825,000	5,598,000	5,741,000	5,127,000	5,543,000	5,139,000	4,291,000
20,665,000	21,246,000	23,993,000	22,414,000	20,961,000	19,444,000	15,092,000
36	28	18	25	—	29	32
5	4	6	2	—	2	4
14	17	15	12	—	13	12
548	484	458	451	459	472	398
3,709,104	2,246,927	6,085,783	3,071,181	5,115,649	5,172,809	3,257,973
14,334,000	14,082,000	12,479,000	5,976,000	4,311,000	3,394,000	2,751,000
1,464,000	1,460,000	1,460,000	504,000	1,453,000	859,000	690,000
43,000	43,000	40,000	35,000	15,000	15,000	13,500
10,848,000	9,368,000	8,385,000	6,174,000	5,034,000	1,815,000	1,425,000
5,254,000	6,196,000	4,384,000	2,494,000	1,832,000	1,496,000	1,228,000
4,694,000	4,270,000	2,935,000	2,203,000	2,147,000	2,150,000	1,602,000
396,000	282,000	267,000	280,000	238,000	172,000	151,000
21,192,000	20,116,000	15,971,000	11,151,000	9,251,000	5,633,000	4,406,000
681	636	607	586	464	133	106
470	337	333	314	172	172	167

BOARD OF DIRECTORS

Bruce K. Brown (1960)
New Orleans, Louisiana
Management Consultant, formerly Chairman of the Board

*Charles E. Cowger (1968)
Senior Vice President

Dr. John W. Deming (1950)
Alexandria, Louisiana
Physician

*Charles J. Hoke (1950)
Senior Vice President

F. B. Ingram (1961)
New Orleans, Louisiana
President, Ingram Barge Company

James R. Jones (1968)
Controller

The Rt. Rev. Christoph Keller, Jr. (1950)
Little Rock, Arkansas
Bishop Coadjutor, Episcopal Diocese of Arkansas

*C. H. Murphy, Jr. (1950)
President

*William C. Nolan (1950)
El Dorado, Arkansas
Partner, Munoco Company

*J. A. O'Connor, Jr. (1955)
Chairman of the Board

Ralph Owen (1960)
Nashville, Tennessee
President, Equitable Securities, Morton & Co., Incorporated

*Member of the Executive Committee
(Year of election to the Board indicated in parentheses)

OFFICERS

C. H. Murphy, Jr., *President*

J. A. O'Connor, Jr., *Chairman of the Board*

Charles J. Hoke, *Senior Vice President*

Charles E. Cowger, *Senior Vice President*

John M. Brown, *Vice President*

John L. Solomon, *Vice President*

Robert J. Sweeney, *Vice President*

James R. Jones, *Controller*

L. R. Beasley, *Treasurer*

Jerry W. Watkins, *Secretary*

Annual Meeting

The annual meeting of the stockholders of the Company will be held May 7, 1969 at the El Dorado Fine Arts Center, El Dorado, Arkansas.

TRANSFER AGENTS AND REGISTRARS

Common Stock
Transfer Agents
Chemical Bank, New York

Mercantile Trust Company N. A., St. Louis

Registrars
Morgan Guaranty Trust Company of New York, New York

St. Louis Union Trust Company, St. Louis

Cumulative Preferred Stock
Series A

Murphy Oil Corporation, El Dorado, Arkansas

Cumulative Preference Stock
5.20% Series

Transfer Agent—Chemical Bank, New York

Registrar—Morgan Guaranty Trust Company of New York, New York

PRINCIPAL SUBSIDIARY COMPANIES

Deltic Farm & Timber Co., Inc. (100%)
Farm and timber properties in Arkansas and Louisiana

Murco Libya Oil Company (100%)
Exploration for and production of crude oil and natural gas in Libya

Murco Petroleum Limited (100%)
Retail and wholesale marketing of petroleum products in Great Britain

Murphy Middle East Oil Company (100%)
Exploration for and production of crude oil in Iran

Murphy Oil Company Ltd. (89%)
Exploration for and production of crude oil and natural gas and retail and wholesale marketing of petroleum products in Canada

Murphy Oil International Finance Corporation (100%)
Financing of capital requirements of foreign operations

Murphy Oil Trading Company (100%)
Purchase, sale and transportation of crude oil and refined petroleum products

Murphy Oil Venezolano, C. A. (100%)
Exploration for and production of crude oil and natural gas in Venezuela

Ocean Drilling & Exploration Company (51%)
Drilling contracting and exploration on continental shelves worldwide—Oil and gas production in the Gulf of Mexico

Svenska Murco Petroleum Aktiebolag (100%)
Retail and wholesale marketing of petroleum products in Sweden

Printed in United States of America

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ANNUAL REPORT 1968

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